MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

BAC3644 TAXATION 2

(All Sections / Groups)

3 JULY 2023
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 11 pages including the cover page with **FIVE** (5) Questions only.

2. Attempt **ALL** questions. The distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Since the year 2016, Haywood Households Sdn. Bhd. (HHSB) has been a wholesale distributor supplying a wide range of household products to retailers throughout Malaysia. The company has maintained a paid-up share capital of RM2.51 million since its commencement. Its statement of comprehensive income for the financial year ended 30th June 2022 is as follows.

Haywood Households Sdn. Bhd. (HHSB)
Statement of Comprehensive Income
For the year ended 30th June 2022

	Note	RM	RM
Sales			1,885,000
Less: Sales return	1		(9,200)
Net sales			1,875,800
Less: Cost of sales	2		(639,410)
Gross profit			1,236,390
Less: Operating expenses			
• Remuneration and staff benefits	3	520,000	
• Selling and distribution	4	264,060	
• Professional fees and bank charges	5	50,300	
• Depreciation and amortisation		77,690	
• Bad and doubtful debts	6	101,800	
• Transportation and logistics	7	53,600	
• Contributions and donations	8	48,450	(1,115,900)
			120,490
Add: Other income			
• Dividend and interest	9		15,610
Profit before tax			136,100

Notes to the accounts:

1. The actual value of sales returns made by customers due to defective products was RM11,200. The amount reflected in the account was wrongly recorded by HHSB's accounts executive.

2. Cost of sales included a loss of RM6,320, which was yet to be realised, on stock purchase from Vietnam.

3. Remuneration and staff benefits comprised of:

   i. The total salaries and bonus for the year was RM412,000. Included in this amount, gross salary of RM1,500 per month had been paid to a full-time storekeeper for the year. The storekeeper was a sixty-two years-old Malaysian citizen.

Continued...

ii. Contribution to the Employees' Provident Fund during the year was RM80,500.
iii. RM27,500 was spent on providing and maintaining a childcare centre for its employees. The centre has been registered with the Department of Social Welfare.

4. Selling and distribution are made up of the following expenses:

i. Entertainment allowance of RM213,580 for sales personnel.
ii. Expenditure of RM50,480 incurred on local and overseas trips awarded to sales dealers who achieved their sales target in the year.

5. Professional fees and bank charges included:

i. The company secretary charged RM9,780 for her services during the year. The invoice included RM2,650 as out-of-pocket expenses.
ii. RM7,310 was incurred as statutory audit fee for the year.

6. Bad and doubtful debts comprised of the following:

	RM
Bad debts written-off during the year	21,750
Net increase in the general provision of doubtful debts	55,000
Net increase in the specific provision of doubtful debts	25,050
	101,800

7. The expenses which made up transportation and logistics are as follows:

i. Maintenance and repairs of the company's delivery fleet cost RM29,100.
ii. Leave passage of RM24,500 to Brisbane, Australia for the Chairman of the company and his family.

8. Contributions and donations made by HHSB for the year are as follows:

i. Cash donations of RM38,450 made to several approved orphanages in Melaka.
ii. Cash donation of RM10,000 made to the Melaka State Government to assist in the flood relief efforts.

9. HHSB has received the following dividends and interests throughout the financial year:

i. Interim dividend of RM5,110 from Titus (Singapore) Ltd. credited into HHSB's Maybank account in Malaysia.
ii. RM10,500 as interest from HHSB's fixed deposit account in Standard Chartered Bank (Malaysia).

Additional information:

- For the Year of Assessment (YA) 2022, HHSB was entitled to claim capital allowance of RM53,000. The records also showed that HHSB had a business loss of RM8,390 unutilised from the prior YA.

Continued...

Required:

Calculate the income tax payable of Haywood Households Sdn. Bhd. (HHSB) for YA2022.

Note: Indicate 'NIL' in the appropriate column for item that does not require adjustment. Show all relevant workings. You do not have to provide justifications for the tax treatments. Round up all your answers into the nearest Ringgit Malaysia (RM), except for the income tax payable figures.

(20 marks)

QUESTION 2

Part A

MBL Plantations Sdn. Bhd., which commenced its operations on 1st January 2021, owns agricultural land in Rompin, Pahang. Currently, the land is planted with sugarcanes which produces nearly 30,000 metric tons annually.

The company had incurred the following agriculture expenditures during its financial year ended 31st December 2021.

Expenditure	RM
Land acquisition	2,500,000
Clearing of land for planting of sugarcanes	43,000
Cost of planting the sugarcane seedlings and billets	128,000
Construction of access road into the farm	110,000
Construction of workers' accommodation on the farm	250,000
Construction of storage and farm office buildings on the farm	79,000

In June 2022, the plantation was attacked by wild elephants causing considerable damages to the growing sugarcanes. The company had to dispose of all the damaged sugarcanes and planted again new seeds and billets. The land clean-up and disposal cost RM11,000 while the planting amounted to RM14,500.

Required:

i) List the requirements necessary for MBL Plantations Sdn. Bhd. to be eligible for claiming agriculture allowance.

(2 marks)

ii) Calculate the agriculture allowance claimable by MBL Plantations Sdn. Bhd. for all the relevant Years of Assessment.

(8 marks)

Continued...

Part B

Adamantine Sdn. Bhd. (Adamantine), a company resident and incorporated in Malaysia, operates amusement parks and resorts across several States in the country.

Adamantine had engaged ADS Builders Co. (ADS) for three years to design and build a water theme park in Kuching, Sarawak for RM67 million. ADS, a firm registered and domiciled for tax purposes in the United States, has set up a management office in Kuching since the year 2020 for the purpose of supervising this project. The project was completed in May 2022 and the theme park was officially opened to public on 1st August 2022.

During its financial year ended 31st December 2022, the following transactions have been recorded by Adamantine:

- RM9 million was paid to ADS during the year. RM2.7 million was incurred to acquire the materials required for the construction while the balance was for the service portion.
- Adamantine had hired Bumi Kenyalang Sdn. Bhd., a local nursery business, to provide landscaping services at the water theme park in Kuching. It had paid RM368,000 for the works done in the year.
- Adamantine had invited a popular pop group from South Korea to perform in its launching celebration. The pop group charged a gross amount of RM1.01 million for the three-hour concert.

Required:

i. Determine the chargeability of withholding tax on each of the above transaction. Justify your answers by quoting the relevant provisions of the Income Tax Act 1967 (as amended). Calculate, where applicable, the amount of withholding tax.

(8 marks)

ii. Calculate the amount of penalty chargeable on Adamantine Sdn. Bhd. should it fail to comply with the due date requirement of withholding tax remittance.

(2 marks)

(Total: 20 marks)

Continued...

QUESTION 3

Kashkari & Sons Sdn. Bhd. is an agriculture company located in Johor with the financial year-end of 31st December. It has been a Malaysian tax resident from its commencement and has since maintained a paid-up ordinary share capital of RM1.25 million. Besides its agriculture activities, Kashkari & Sons Sdn. Bhd. runs a chain of supermarkets in Johor, Melaka, and Negeri Sembilan.

Kashkari & Sons Sdn. Bhd. had applied for investment tax allowance incentive under the Promotion of Investment Act 1986 for its agriculture business which qualifies as a promoted activity. The approval was received and took effect from 1st March 2019.

The following information has been extracted from records of Kashkari & Sons Sdn. Bhd.

Financial year ended 31st December	2021 (RM)	2022 (RM)
Agriculture business		
Adjusted income	341,000	390,000
Capital allowance	25,000	25,000
Approved cash donations	6,600	6,900
Supermarket trading business		
Gross business income	400,500	454,600
Business expenses (55% of the expenses were allowable)	316,000	328,000
Capital allowance	12,300	11,200
Balancing charge	-	3,200
Other income		
Interest from Maybank Bhd.	4,800	5,700

The table below presents the qualifying capital expenditure incurred by Kashkari & Sons Sdn. Bhd.

Financial year ended 31st December	Agriculture business	Supermarket trading business
2021	RM411,000	RM245,000
2022	RM382,000	RM366,000

Required:

Determine the income tax payable and amount, if any, to be credited into exempt income account of Kashkari & Sons Sdn. Bhd. for the relevant Years of Assessments (YAs).

(20 marks)

Continued...

QUESTION 4

Mr. Lim, a Malaysian citizen, passed away on 14th December 2021. Miss Sue had been appointed to serve as the executor to his estate, which included the following real properties.

Real property	Double-storey terrace house in Ipoh	Land in Seremban 2	Rubber plantation in Jasin	Bungalow house in Georgetown
Date of acquisition	24th March 2013	1st July 2015	17th September 2019	5th December 2020
Market value at acquisition	RM360,000	RM1,970,000	RM850,400	RM2,000,000
Market value on 14th December 2021	RM440,000	RM2,080,000	RM877,500	RM2,153,000

According to the late Mr. Lim's will, the above properties were to be distributed among his Malaysian family members in the following manner.

- The double-storey terrace house was to be given to his sister, Madam Lim. The transfer of this property was done on 21st May 2022, with the market value of RM540,000.
- The bungalow house was to be given to his wife, Madam Ng. The transfer was completed on 14th April 2022 when the market value was RM3.25 million.
- The land was to be given to his eldest son, Mr. Jeremy. Its transfer was executed on 15th June 2022 with the land's market value at RM2.34 million.
- The rubber plantation was to be disposed of and its proceeds equally apportioned among his daughters, Madam Ai Nee and Miss Ai Qi. The plantation was sold at market value of RM1.1 million on 22nd August 2022. The proceeds were distributed to the daughters on 11th October 2022.

On 1st October 2022, Mr. Jeremy transferred the land in Seremban 2 to Lim Holdings Sdn. Bhd. (LHSB) for RM2.75 million. The consideration was equal to the market value of the land at the date of transfer. In return, he received 2.75 million shares of RM1.00 each in LHSB. LHSB is a trading company jointly owned by him and his wife, Madam May.

Prior to the transfer, the record showed that the paid-up capital of LHSB was wholly owned by the following two individuals.

Name of shareholder	No. of paid-up ordinary shares of RM1 per unit
Mr. Jeremy	250,000
Madam May	550,000

On 1st December 2022, Mr. Jeremy had sold all his shares in LHSB for RM3 million.

Required:

a. Calculate, if any, the real property gains tax payable by Miss Sue for each of the transfers she had executed under the Real Property Gains Tax Act 1976 (as amended).

(10 marks)

Continued...

b. Determine the real property gains tax liability, if any, by Mr. Jeremy for the Year of Assessment (YA) 2022 under the Real Property Gains Tax Act 1976 (as amended).

(10 marks)

(Total: 20 marks)

QUESTION 5

Haji Hamzah owns a handicraft trading business in Kulim, Kedah. In January 2023, his financial affairs for the Year of Assessment (YA) 2021 had been subjected to tax audit by the Inland Revenue Board of Malaysia (IRBM). Following the result of the audit exercise, his case has been recommended for tax investigation.

On 1st June 2023, the IRBM investigation team had visited his business premise and residence to collect information, documents, and business records. The information received by the investigation team are presented in the following table.

Financial year ended	31st December 2020		31st December 2021	
	RM	RM	RM	RM
Capital		85,000		101,000
Balance of profit and loss account b/f	99,000		151,000	
Profit for the year	17,000		53,000	
Less: Drawings	(50,000)	66,000	(39,000)	165,000
		151,000		266,000
Represented by:				
Non-current assets		119,000		204,000
Current assets	72,000		187,000	
Less: Current liabilities	(40,000)	32,000	(125,000)	62,000
Net assets		151,000		266,000

The investigation team's findings based on the interviews and information collected also revealed the following facts regarding Haji Hamzah.

i. He had purchased a new Toyota Hilux for RM97,500 in cash during the year 2021 for his personal use.
ii. His house, which was built by him, was completed in the year 2012. The project cost him RM303,000 and was financed by a bank loan. He had made the final instalment payment in December 2018.
iii. Since the year 2018, he had owned 15,000 units of shares of Al-'Aqar Healthcare REIT. The shares were worth RM1.25 per unit. In September 2019, he had acquired 1,500 units of shares of Ajinamoto (Malaysia) Bhd. for RM16.60 per unit. In the year 2021, he had sold half of his investment in Al-'Aqar Healthcare REIT for RM1.55 per unit. He used the proceeds to purchase the shares of Adventa Bhd. instead.
iv. He had inherited a piece of land worth RM122,000 from his late mother in the year 2019. The market value of the land in the year 2021 had risen to RM170,000.

Continued...

v. His statements of accounts from financial institutions demonstrated the following balances as at the end of the relevant financial years.

Year	Savings account at CIBM Bank Bhd.	Amanah Saham Bumiputera account
2020	RM123,000	RM200,000
2021	RM80,000	RM200,000

vi. It was agreed that during the year 2021, he had incurred the following expenditures for himself and his immediate family.

Household expenses	RM111,250
Medical and life insurance premiums	16,700
Umrah expenses	29,000
Entertainment and travelling expenses	12,000
Income tax expense	3,750
	172,700

Required:

Ascertain the omitted income of Haji Hamzah for the Year of Assessment (YA) 2021 with reference to the Income Tax Act 1976 (as amended).

(20 marks)

Continued...

APPENDIX

TAX RATES AND ALLOWANCES

i. Tax rates of a resident company with paid up capital not more than RM2.5 million

Chargeable income	Rate
On first RM600,000	17%
Excess RM600,000	24%

ii. Tax rate of a resident company with paid up capital more than RM2.5 million and a non-resident company

Chargeable income	Rate
All chargeable income	24%

iii. Tax rate for a non-resident (other than non-resident company)

Type of income	Rate
Interest	15%
Royalty	10%
Contract payment	10% + 3%
Special classes of income	10%
Public entertainers' remuneration	15%
Section 4(f) income	10%

iv. Rates of capital allowance

Type of assets	Initial Allowance	Annual Allowance
Office equipment, furniture and fittings	20%	10%
Plant and machinery (general)	20%	14%
Plant and machinery (heavy) and motor vehicle	20%	20%
Industrial building	10%	3%

v. Rates of agriculture and forest allowances

Capital expenditure – Agriculture	Rate
Clearing and preparation of land for the purpose of agriculture	50%
Planting of crops on land cleared for planting	50%
Construction on a farm of roads or bridges	50%
Construction on a farm of a building used for the welfare of persons or as living accommodation for a person employed for the working of a farm	20%
Construction of any other building	10%

Continued...

Capital expenditure - Forest	Rate
Construction of roads or buildings used for the purposes of extracting timber from a forest.	10%
Expenditure incurred on buildings used for the welfare of persons or as living accommodation for a person employed in or in connection with the extraction of timber from a forest.	20%

vi. Rates of Real Property Gains Tax

	Part I		Part II		Part III
	i. Malaysian citizen or permanent resident individual ii. Executor of the estate of deceased person who was a citizen or permanent resident iii. Limited liability partnership and partnership		i. Company incorporated in Malaysia ii. Trustee of a trust or body of persons registered under the law in Malaysia		i. Individual who is not a Malaysian citizen or permanent resident ii. Executor of the estate of deceased person who was not a Malaysian citizen or permanent resident iii. Company not incorporated in Malaysia
Disposal period	2019 - 2021	2022	2019 - 2021	2022	W.e.f. 2019
Within 2 years after the date of acquisition	30%	30%	30%	30%	30%
In 3rd year after the date of acquisition	30%	30%	30%	30%	30%
In 4th year after the date of acquisition	20%	20%	20%	20%	30%
In 5th year after the date of acquisition	15%	15%	15%	15%	30%
In 6th year after the date of acquisition and thereafter	5%	0%	5%	10%	10%

End of Paper.

MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

BAC1634 – FINANCIAL ACCOUNTING & REPORTING 1

(All sections / Groups)

3 JULY 2023
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **SEVEN (7)** pages, excluding the cover page with only **FOUR (4)** questions.

2. Attempt **ALL** questions. The distribution of the marks is shown at the end of each question.

3. Please write all your answers in the answer booklet provided.

QUESTION 1

Part A

i. Identify **TWO (2)** regulatory bodies and illustrate **TWO (2)** of their roles with regard to financial reporting practice in Malaysia.

(6 Marks)

ii. Illustrate why the process of reporting to external users is subjected to more rules and regulations compared to internal users.

(3 Marks)

Part B

i. Elaborate how the following qualitative characteristics enhance the usefulness of information in decision making:

a) Timeliness (2 marks)

b) Comparability (2 marks)

ii. Explain the following measurement bases that are used in the financial accounting and reporting framework:

a) Fair value (2 marks)

b) Present value (2 marks)

Part C

Briefly explain the 4 (four) benefits of accounting to non-profit organisation.

(8 marks)

(Total: 25 marks)

QUESTION 2

Kasih Berhad has been involved in the business since 2015. Given below is the company's trial balance as at 31 December 2022.

Trial Balance of Kasih Berhad as at 31 December 2022

	Debit	**Credit**
	RM	**RM**
Ordinary share capital as at 1 January 2022		3,225,000
Retained earnings as at 1 January 2022		538,500
8% Bank loan		225,000
Sales		6,210,000
Rental income		48,000

Continued...

Investment income		37,800
Account payables		305,000
Account receivables	625,000	
Inventory as at 31 December 2022	239,500	
Cash and bank	278,900	
Land at cost	2,176,500	
Buildings at cost	1,250,000	
Plant and machinery at cost	725,000	
Motor vehicles at cost	365,000	
Investment	980,000	
Accumulated depreciation as at 1 January 2022		
- Buildings		240,000
- Plant and machinery		218,000
- Motor vehicles		165,200
Cost of sales	3,832,000	
Administration expenses	123,500	
Distribution expenses	61,600	
Director's remuneration	52,500	
Auditor's fee	15,500	
Interest paid on bank loan	7,500	
Tax paid	480,000	
	11,212,500	11,212,500

Additional information:

1. Land is not depreciated. Other property, plant and equipment are depreciated on yearly basis as follows:

Buildings	2% on cost.
Plant and machinery	10% on cost.
Motor vehicles	20% on carrying amount.

2. Depreciation expense is classified as an administration expense. However, depreciation on motor vehicles is treated as a distribution cost.

3. The following transactions are related to property, plant and equipment:

   a) On 1 July 2022, a new machinery was acquired at RM40,000 by cheque. This transaction has not been recorded in company's book.
   b) On 31 December 2022, the land was revalued to RM2,500,000 and the director decided to incorporate this amount into the accounts for the year.

Continued...

4. The following provisions are to be made for:

   a) 4% bonus share was declared by the company's director on 30 December 2022 based on the ordinary share held at the beginning of the year. This share was not entitled for any dividend during the year.
   b) Director also declared the final dividend of 5% on the ordinary share held at the beginning of the year.
   c) Director's remuneration outstanding of RM12,500.

5. The bank loan was secured from CIMB on 1 January 2022.

6. The taxation expense for the year was estimated at RM520,000.

Required:

In accordance with the requirement of the MFRS101 Presentation of Financial Statements:

i. Prepare the statement of profit or loss and other comprehensive income for the year ended 31 December 2022 for Kasih Berhad.

(12 Marks)

ii. Prepare the statement of financial position as at 31 December 2022 for Kasih Berhad.

(13 Marks)

(Total: 25 marks)

QUESTION 3

Part A

An extract from the statement of financial position of Super Bhd (Super) as at 30 June 2023 is given below:

Equity	**RM'000**
200,000,000 Ordinary shares	200,000
Retained profits	350,000
Non-current Liability	
20,000,000 5% redeemable preference shares	22,000

Super redeemed all the preference shares at a premium of 10 percent on 30 June 2023. It issued 5 million ordinary shares at RM3 per share to facilitate the redemption and the balance through profits available for dividends.

Continued...

Required:

Show the journal entries to record the above transactions and prepare the statement of financial position after the completion of the transaction.

(8 marks)

Part B

The share capital of Saver Bhd (Saver) as at 1 January 2022 consisted of 20,000,000 ordinary sharesof RM20,000,000. During the year, Saver Bhd made the following transaction:

- 30 June 2022, Saver bought back 5,000,000 of its shares from the open market at the prevailing market price of RM8.00 per share. These shares were held as treasury shares.
- On 30 October 2022, Saver sold 6,000,000 treasury shares in the open marketprice at an average price of RM10.00 per share.

In 2021, Saver issued 2,000,000 units of warrants to bond holders that entitle the holders to subscribe for ordinary shares of the company. Each unit of warrant entitles its holder to one ordinary share at an exercise price of RM6.00 per share. As at 31 December2022, none of the warrants have been exercised. The average market price of Saver's ordinary shares for the year was RM9.00 and this can be assumed as their fair value.

The profit attributable to ordinary shares of Saver for the year ended 31 December 2022 is RM66,000,000.

Required:

Compute the basic EPS and the diluted EPS of Saver for the year ended 31 December 2022.

(7 marks)

Part C

A senior accountant, Mrs Stewart, provided the following information about the account receivables of Synergy Berhad for the year ended 31 December 2022.

Details	RM
Beginning balance accounts receivable	40,000
Beginning balance allowance for doubtful accounts	2,000
Credit sales for the year	225,000
Written off receivable during the year	1,000
Cash received from customers during the year	212,500

Mrs Stewart requested you estimate the bad debt for the year. The company estimates bad debt will equal 5% of the year-end balance in accounts receivable for that year.

Continued...

Required:

i. Compute the bad debts expenses.

(8 marks)

ii. Prepare the adjusting entry for bad debt.

(2 marks)

(Total: 25 marks)

QUESTION 4

Part A

A customer was suing Cantek Berhad for RM1,000,000 for breach of contract. The company had obtained a legal opinion that it was not probable that the company would lose the case. Accordingly, the company provided RM200,000, which was included in administrative expenses. The unrecoverable legal costs of defending the action were estimated at RM250,000. However, this amount had yet to be provided for as legal action would only go to count in 2023.

Assume that the accounting year ended 31 December 2022.

Required:

Illustrate the accounting treatment for this transaction in accordance with MFRS 137 Provision, Contingent liabilities and Contingent Assets.

(5 marks)

Part B

Ceria Berhad, a listed company, is adopting MFRSs in its financial statements for the year ended 31 December 2022. The following information is available:

	Land and Building	Fixtures and Fittings
Cost (land RM500,000)	RM2,600,000	RM484,000
Accumulated depreciation at 1.1.22	RM355,000	RM130,100
Depreciation rate and method (buildings)	5% pa straight-line	20% pa reducing balance
Recoverable amount (land RM400,000) at 31.12.22	RM1,500,000	RM350,000

Depreciation on property, plant and equipment for the year ended 31 December 2022 has not yet been charged.

Continued...

Land and buildings consist of Ceria Berhad's head office and main warehouse which are located together on one piece of land. Local market values decreased following an official report that has considered the area to be a high-risk flood zone.

Required:

Calculate the carrying amount of the property plant and equipment for the year ended 31 December 2022 and the depreciation charge for 2022.

(7 marks)

Part C

Venus, Neptune and Mars have been in partnership for several years, sharing profits and losses in the ratio 3:2:1. Their last statement of financial position which was prepared on 31 October 2022 is as follows:

Statement of Financial Position of Venus, Neptune and Mars as at 31 October 2022

	RM	RM
Non-current assets		
Motor vehicles		20,000
less: accumulated depreciation		(6,000)
		14,000
Current assets		
Inventory	5,000	
Trade receivables	21,000	26,000
		40,000
Capital		
Venus	4,000	
Neptune	4,000	
Mars	2,000	10,000
Current liabilities		
Bank	13,000	
Trade payables	17,000	30,000
		40,000

Continued...

Despite making good profits during recent years they had become increasingly dependent on one credit customer, Smithson, and in order to retain his custom they had gradually increased his credit limit until he owed the partnership RM18,000. It has now been discovered that Smithson is insolvent and that he is unlikely to repay any of the money owed by him to the partnership. Reluctantly, Venus, Neptune and Mars have agreed to dissolve the partnership on the following terms:

a) The inventory is to be sold to Pluto Enterprise for RM4,000.

b) The motor vehicles will be sold for RM8,000 except for certain vehicles with a book value of RM5,000 which will be taken over by Venus at an agreed valuation of RM7,000.

c) The trade receivables, except for Smithson, are expected to pay their accounts in full.

d) The cost of dissolution will be RM800 and discount received from trade payables will be RM500. Mars is unable to meet his liability to the partnership out of his personal funds.

Required:

Prepare the following:

i. Realisation account

(6.5 marks)

ii. Capital accounts to the partners recording the dissolution of the partnership.

(6.5 marks)

(Total: 25 marks)

End of Page.